

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3

FINANCIAL STATEMENTS

DECEMBER 31, 2005

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FINANCIAL SECTION



KEMP BURDICK

KEMP BURDICK HINTON & HALL, L.C.

CPA'S & ADVISORS

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT COX
BRENT R. HALL
KENNETH A. HINTON
GREGORY A. KEMP
MORRIS J. PEACOCK
MICHAEL K. SPILKER
MARK E. TICHENOR

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Administrative Board of Directors
Beaver County Hospital Special Service District No. 3
Milford, Utah 84751

We have reviewed the accompanying financial statements of the governmental activities of Beaver County Hospital Special Service District No. 3 (District), a component unit of Beaver County, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the District.

A review consists principally of inquiries of Entity personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information or management's discussion and analysis.

Kemp, Burdick, Hinton & Hall, L.C.

KEMP, BURDICK, HINTON & HALL, L.C.
St. George, Utah
April 24, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Beaver County Service District #3's "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2005. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the District is to provide property and equipment and other funds for the operation costs of Milford Valley Healthcare Services.

FINANCIAL HIGHLIGHTS

- Service District Board designated an additional \$100,000 of fund equity toward a future building project.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the District as a whole and present a longer term view of the District's finances. Fund financial statements start on Page 14. These statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operation in more detail than the government-wide statements.

REPORTING THE DISTRICT AS A WHOLE

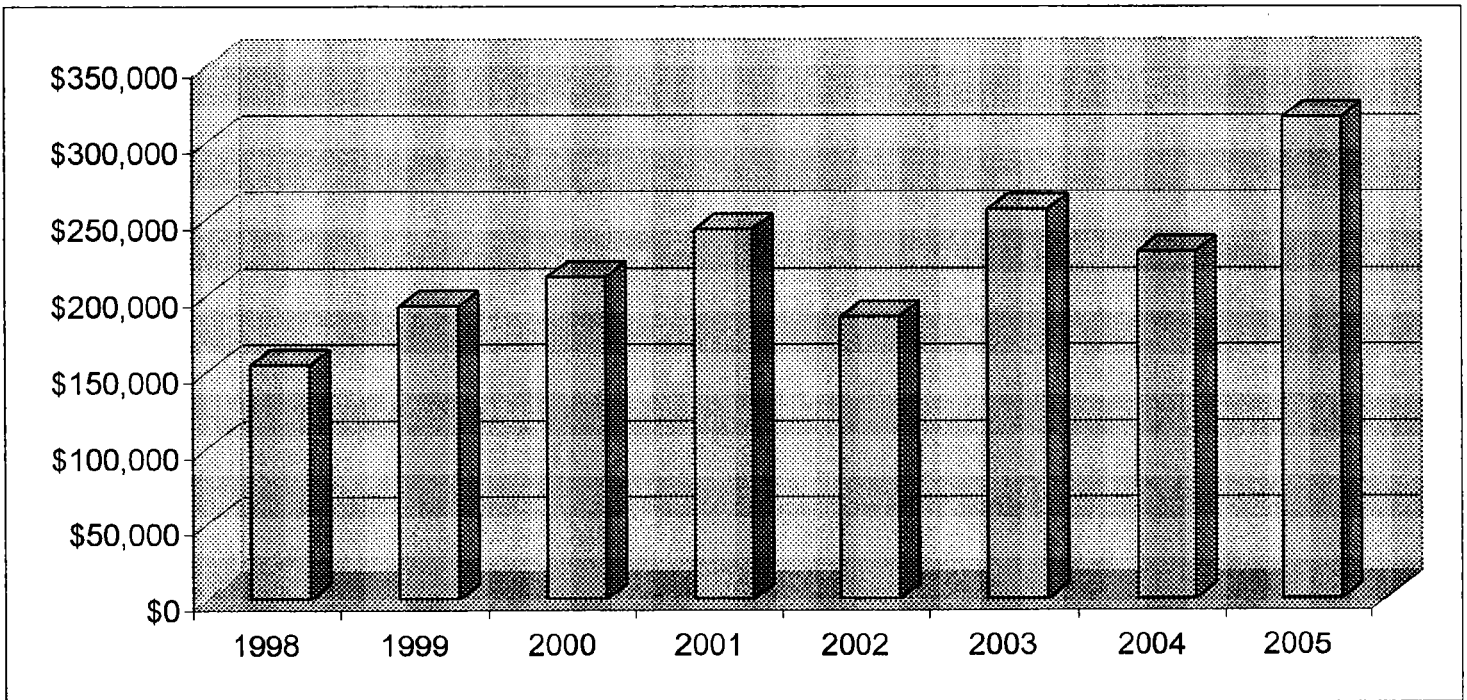
The District realizes revenue from three sources; property tax, interest earnings and lease revenue from buildings owned by the District and leased to Milford Valley Healthcare Services.

CONTACTING THE DISTRICT'S TREASURER

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nedra Kennedy, Treasurer, P.O. Box 207, Milford, Utah 84751.

Beaver County Service District #3 Revenue - Eight Year Comparison

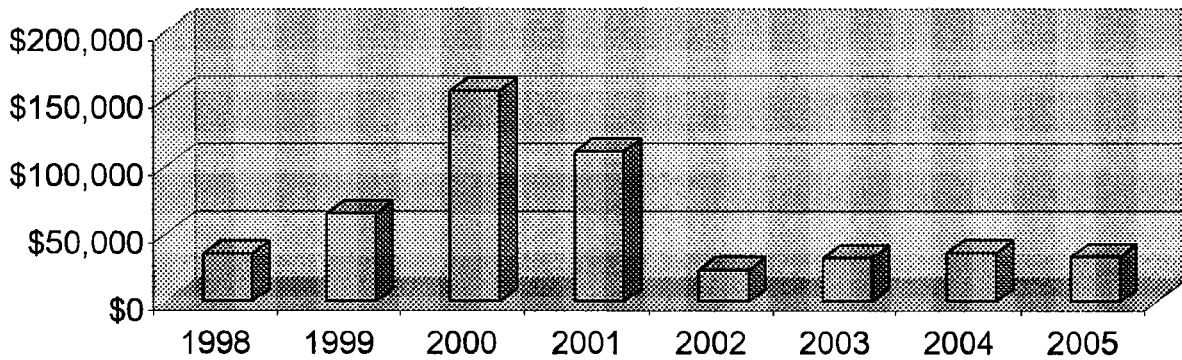
	1998	1999	2000	2001	2002	2003	2004	2005
Property Taxes	\$112,727	\$156,209	\$166,881	\$180,529	\$145,405	\$173,393	\$214,524	\$243,479.00
Investment Earnings	\$6,702	\$2,495	\$5,163	\$6,007	\$4,141	\$1,406	\$3,111	\$10,329.00
Charges for Services	\$35,000	\$34,095	\$39,425	\$36,006	\$35,825	\$29,000	\$0	\$58,818.00
Hospital Lease Revenue								
Miscellaneous Income	\$0	\$0	\$181	\$500	\$289	\$0	\$1,388	\$0.00
Grant Income	\$0	\$0	\$0	\$20,000	\$0	\$52,040	\$9,150	\$3,672.00
	<u>\$154,429</u>	<u>\$192,799</u>	<u>\$211,650</u>	<u>\$243,042</u>	<u>\$185,660</u>	<u>\$255,839</u>	<u>\$228,173</u>	<u>\$316,298</u>



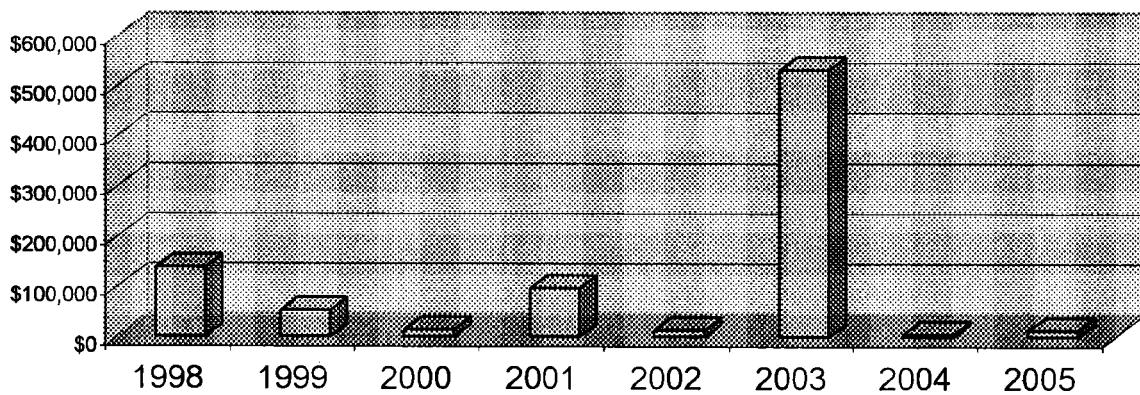
**Beaver County Service District #3
Expenditures - Eight Year Comparison**

	1998	1999	2000	2001	2002	2003	2004	2005
Health - Hospital Operating Costs	\$35,000	\$64,795	\$155,730	\$110,629	\$23,053	\$32,047	\$35,531	\$32,640
Capital Outlay	\$137,200	\$51,650	\$14,030	\$95,387	\$12,553	\$531,225	\$4,943	\$12,500
Insurance and Bonding	\$3,122	\$2,676	\$3,399	\$6,595	\$0	\$0	\$0	\$0
Legal and Accounting	\$0	\$3,429	\$14,940	\$6,506	\$0	\$0	\$0	\$0
Advertising	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Health Operating Costs

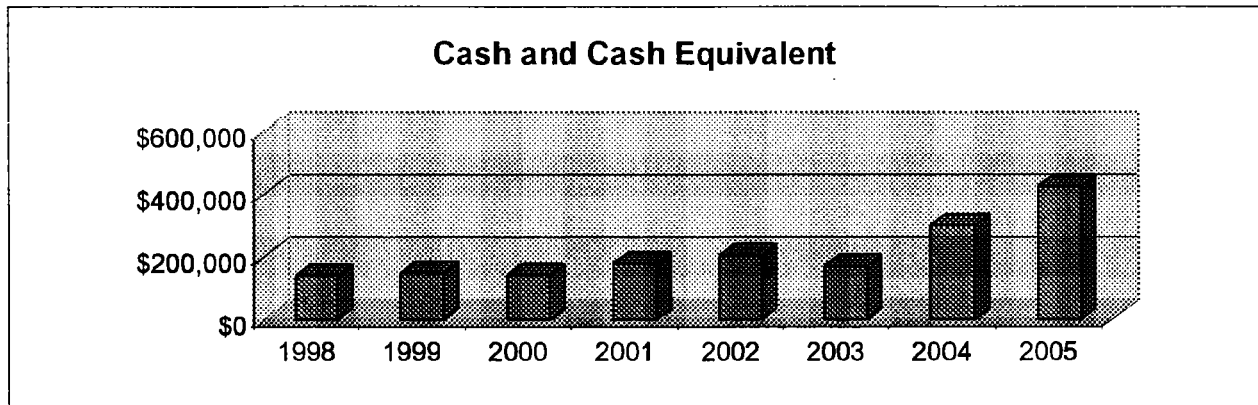


Capital Outlay



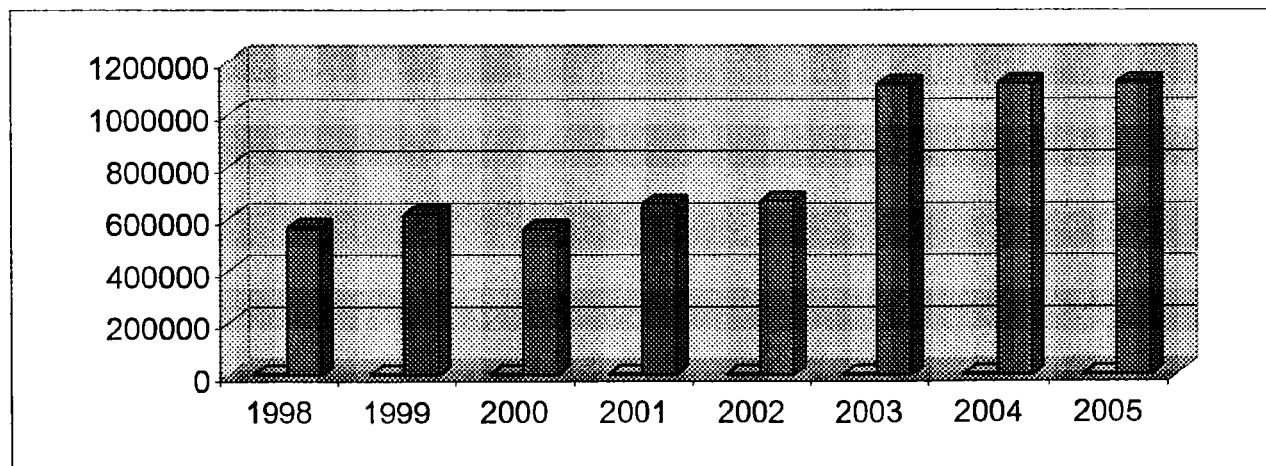
Beaver County Service District #3
Cash and Cash Equivalent - Eight Comparison
as of December 31st

1998	1999	2000	2001	2002	2003	2004	2005
\$138,716	\$146,199	\$140,267	\$177,074	\$204,853	\$169,814	\$298,218	\$424,659



Fixed Assets

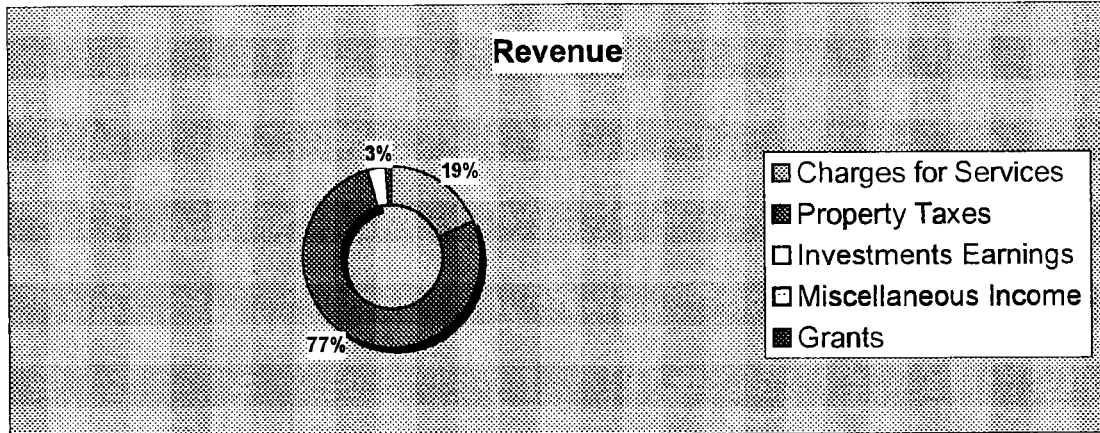
1998	1999	2000	2001	2002	2003	2004	2005
\$563,890	\$615,540	\$558,890	\$654,277	\$666,830	\$1,111,368	\$1,116,312	\$1,120,935



2005 Governmental Activities

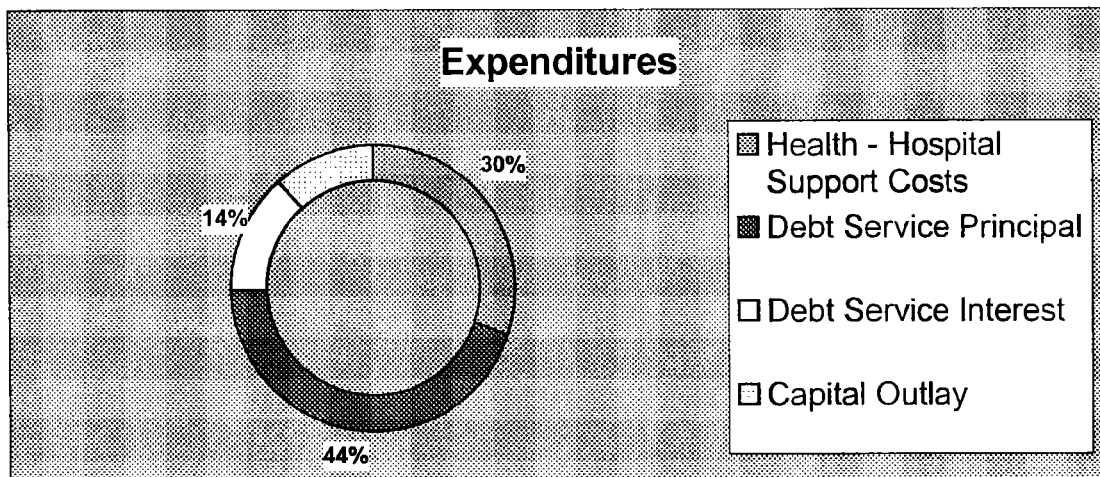
Revenue

Charges for Services	Property Taxes	Investments Earnings	Miscellaneous Income	Grants
\$58,818	\$243,479	\$10,329	\$0	\$3,672



Expenditures

Health - Hospital Support Costs	Debt Service Principal	Debt Service Interest	Capital Outlay
\$32,640	\$47,949	\$14,724	\$12,500



General Governmental Functions

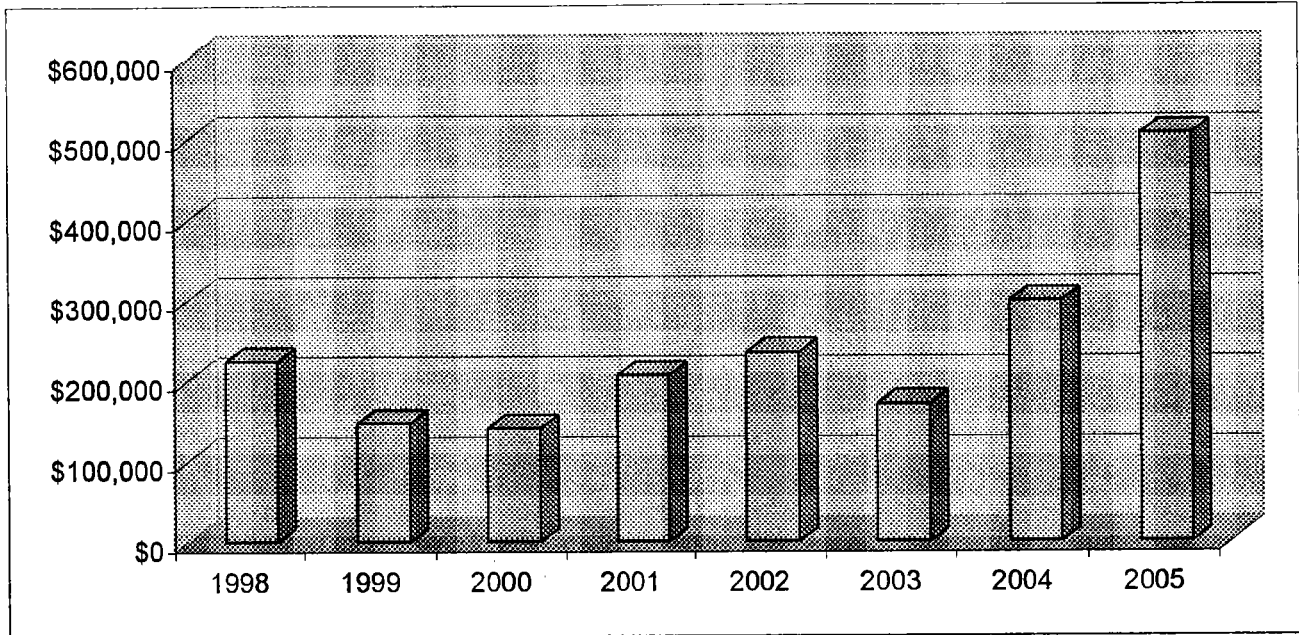
Information below compares revenue and expenditures for 2004 and 2005.

Revenues by Source	2004	2005
Taxes	\$214,524.00	\$243,479.00
Investment Earnings	\$3,111.00	\$10,329.00
Charges for Services	\$0.00	\$58,818.00
Grant Income	\$9,150.00	\$3,672.00
Miscellaneous Income	\$1,388.00	\$0.00
Total Revenues	\$228,173.00	\$316,298.00

Expenditures by Source	2004	2005
Health - Hospital Support Costs	\$32,531.00	\$32,640.00
Debt Service		
Principal	\$49,309.00	\$47,949.00
Interest	\$13,069.00	\$14,724.00
Capital Outlay	\$4,943.00	\$12,500.00
	\$99,852.00	\$107,813.00

Beaver County Service District #3 Fund Balance - Eight Year Comparison

	1998	1999	2000	2001	2002	2003	2004	2005
Fund Balance	\$223,606	\$146,198	\$140,181	\$205,564	\$233,753	\$169,814	\$298,135	\$506,620



BASIC FINANCIAL STATEMENTS

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Statement of Net Assets
December 31, 2005

ASSETS	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 424,659
Lease receivable	818
Due from other governments	81,150
Capital assets (net of accumulated depreciation)	
Land	15,140
Equipment, furniture and fixtures	218,749
Building and improvements	<u>338,768</u>
TOTAL ASSETS	<u>1,079,284</u>
 LIABILITIES	
Accounts payable	7
Long-term liabilities	
Due within one year	27,995
Due in more than one year	<u>350,000</u>
TOTAL LIABILITIES	<u>378,002</u>
 NET ASSETS	
Invested in capital assets, net of related debt	194,662
Restricted for:	
Debt service	35,450
Unrestricted	<u>471,170</u>
TOTAL NET ASSETS	<u><u>\$ 701,282</u></u>

The accompanying notes are an integral part of the financial statements.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Statement of Activities
For the Year Ended December 31, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets of the Primary Government	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Health-hospital support	\$ 141,765	\$ 58,818	\$ 3,672	\$ -	\$ (79,275)	\$ (79,275)
Interest on long-term debt	14,724	-	-	-	(14,724)	(14,724)
Total governmental activities	<u>\$ 156,489</u>	<u>\$ 58,818</u>	<u>\$ 3,672</u>	<u>\$ -</u>	<u>(93,999)</u>	<u>(93,999)</u>
General revenues:						
Property taxes, levied for health-hospital purposes					243,479	243,479
Unrestricted investment earnings					10,329	10,329
Miscellaneous					-	-
Total general revenues					253,808	253,808
Change in net assets					159,809	159,809
Net assets--beginning					541,473	541,473
Net assets--ending					<u>\$ 701,282</u>	<u>\$ 701,282</u>

The accompanying notes are an integral part of the financial statements.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Balance Sheet
Governmental Fund
December 31, 2005

ASSETS	General	Total Governmental Funds
Cash and cash equivalents	\$ 424,659	\$ 424,659
Accounts receivable	-	-
Lease receivable	818	818
Due from other governments	81,150	81,150
Total assets	<u>\$ 506,627</u>	<u>\$ 506,627</u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 7	\$ 7
Total liabilities	<u>7</u>	<u>7</u>
 Fund balance:		
Reserved for debt service	35,450	35,450
Unreserved:		
Designated for capital projects	200,000	200,000
Undesignated	271,170	271,170
Total fund balance	<u>506,620</u>	<u>506,620</u>
Total liabilities and fund balance	<u>\$ 506,627</u>	
 Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		572,657
Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		(377,995)
Net assets of governmental activities		<u>\$ 701,282</u>

The accompanying notes are an integral part of the financial statements.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2005

	General Fund
REVENUES:	
Property taxes	\$ 243,479
Investment earnings	10,329
Lease revenue	58,818
Grant income	3,672
Miscellaneous	-
	<hr/>
Total revenues	316,298
	<hr/>
EXPENDITURES:	
Current:	
Health--hospital support costs	32,640
Debt service:	
Principal	47,949
Interest	14,724
Capital outlay	12,500
	<hr/>
Total expenditures	107,813
	<hr/>
Net change in fund balance	208,485
Fund balance--beginning	298,135
	<hr/>
Fund balance--ending	\$ 506,620
	<hr/>

The accompanying notes are an integral part of the financial statements.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of the Governmental Fund
To the Statement of Activities
For the Year Ended December 31, 2005

Net change in fund balance--total governmental funds	\$ 208,485
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(96,625)
Governmental funds report loan principal payments as expenditures. However, in the statement of activities the payment of loan principal is reported as a reduction in liabilities.	47,949
Change in net assets of governmental activities	<u>\$ 159,809</u>

The accompanying notes are an integral part of the financial statements.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies

Nature of Organization

Beaver County Hospital Special Service District #3, (the Service District) is a component unit of Beaver County, Utah. The Service District was established by resolution of the Board of County Commissioners of Beaver County on October 4, 1982, pursuant to the provisions of Chapter 23, of Title 11, Utah Code Annotated, 1953, to provide hospital services to the territory which includes the municipalities of Milford City and Minersville Town. Three members of the Control Board of the Service District are appointed by Beaver County Commissioners, and each community appoints a board member.

Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's only fund is the general fund.

Basis of Accounting

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District, the primary government, as a whole.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between expenses and program revenues for each program of the governmental activities. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is the general fund.

Governmental Funds - All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available (i.e., collectible within the current year or within one month of year-end and available to pay obligations of the current period). This includes investment earnings and property taxes.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Budget Policy and Process

The Service District adopts an annual budget for the General Fund. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

Property Taxes

The mill levy for property taxes is established by Beaver County. Property taxes attach as an enforceable lien on property as of January 1, and all unpaid taxes become delinquent November 30 of the year following the date of levy. The Beaver County Treasurer collects all tax revenues due to the Service District. The amounts are remitted on a monthly basis to the District.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Contributions

The purpose of the Service District is to provide financial services to the area included in its boundaries. In keeping with this purpose the Service District provides property and equipment and other funds for operating costs to Milford Valley Healthcare Services.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Capital Assets and Depreciation

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the General Capital Asset Account Group. Infrastructure such as streets, traffic signals and signs are capitalized. The District has no infrastructure assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; equipment, 3-10 years.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 1. Summary of Significant Accounting Policies, Continued

Reservation of Fund Balance

A portion of the fund balance in the general fund is restricted for retirement of debt principal and interest.

Net Assets

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. The differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(377,995) difference are as follows:

Bonds payable	\$ (350,000)
Capital lease	(27,995)
	<hr/>
Net adjustment to decrease fund balance - total governmental funds to arrive at net assets - of governmental funds	 <u><u>\$ (377,995)</u></u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements, Continued

When capital assets (property, plant & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the district as a whole.

Cost of capital assets	\$ 1,120,935
Accumulated depreciation	<u>(548,278)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 572,657</u></u>

Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 4,623
Depreciation expense	<u>(101,248)</u>
Net adjustment to decrease net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental funds	<u><u>\$ (96,625)</u></u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 3. Capital Assets and Depreciation

Governmental Activities:

	<u>Balance</u> <u>12/31/2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2005</u>
Capital assets, not being depreciated:				
Land	\$ 15,140	\$ -	\$ -	\$ 15,140
Total capital assets, not being depreciated	<u>15,140</u>	<u>-</u>	<u>-</u>	<u>15,140</u>
Capital assets, being depreciated:				
Equipment, Furniture and Fixtures	524,672	4,623	-	529,295
Buildings and Improvements	<u>576,500</u>	<u>-</u>	<u>-</u>	<u>576,500</u>
Total capital assets, being depreciated	<u>1,101,172</u>	<u>4,623</u>	<u>-</u>	<u>1,105,795</u>
Less accumulated depreciation for:				
Equipment, Furniture and Fixtures	(240,132)	(70,414)	-	(310,546)
Buildings and Improvements	<u>(206,898)</u>	<u>(30,834)</u>	<u>-</u>	<u>(237,732)</u>
Total accumulated depreciation	<u>(447,030)</u>	<u>(101,248)</u>	<u>-</u>	<u>(548,278)</u>
Total capital assets, being depreciated, net	<u>654,142</u>	<u>(96,625)</u>	<u>-</u>	<u>557,517</u>
Governmental activities capital assets, net	<u>\$ 669,282</u>	<u>\$ (96,625)</u>	<u>\$ -</u>	<u>\$ 572,657</u>

The entire \$101,248 of depreciation was charged to the governmental activity, health-hospital support.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 4 Deposits and Investments

Deposits and investments of the District as of December 31, 2005 consist of the following:

Deposits	
Cash in bank	\$ 104,960
Investments	
State treasurer's investment pool	<u>319,699</u>
Total deposits and investments	<u><u>\$ 424,659</u></u>

A reconciliation of deposits and investment is as follows:

Cash - unrestricted	\$ 389,209
Cash - restricted	<u>35,450</u>
Cash and cash equivalents	<u><u>\$ 424,659</u></u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (Utah code, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2005, \$4,960 of the District's bank balance of \$104,960 was exposed to custodial credit risk because it was uninsured and uncollateralized.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 4 Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of December 31, 2005 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State of Utah Public Treasurer's Investment Fund	\$ 319,699	\$ 319,699			
Total fair value	<u>\$ 319,699</u>	<u>\$ 319,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 4 Deposits and Investments, Continued

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2005 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State of Utah Public Treasurer's Investment Fund	\$ 319,699				\$ 319,699
Total fair value	<u>\$ 319,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 319,699</u>

NOTE 5. Bonds Payable

A summary of changes in bonds and notes payable is as follows:

	Balance 12/31/2004	Additions	Retirements	Balance 12/31/2005	Current Portion
Governmental Activities:					
Bonds payable:					
Lease revenue bonds	\$ 372,000	\$ -	\$ 22,000	\$ 350,000	\$ -
Total bonds payable	372,000	-	22,000	350,000	-
Capital leases	53,944	-	25,949	27,995	27,995
Governmental activity Long-term liabilities	<u>\$ 425,944</u>	<u>\$ -</u>	<u>\$ 47,949</u>	<u>\$ 377,995</u>	<u>\$ 27,995</u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 5. Bonds Payable, Continued

Bonds payable at December 31, 2005 are comprised of the following issues:

Lease revenue bonds:

Lease Revenue Bonds Series 1991 due in annual principal and interest installments ranging from \$12,342 to \$28,000, bearing interest at 3.5% maturing January 1, 2016.	\$ 258,000
Lease Revenue Bonds Series 1996 due in annual principal and interest installments ranging from \$6,450 to \$5,575, bearing interest at 2.5% maturing April 1, 2025.	92,000
Total Bonds Payable	<u>\$ 350,000</u>

Other long-term debt at December 31, 2005 is comprised of the following:

Leases payable:

Lease payable due in annual principal and interest installments ranging from \$20,000 to \$28,602, bearing interest at 4.2% maturing June 6, 2006.	<u>\$ 27,995</u>
Total leases payable	<u>27,995</u>
Total long-term debt	377,995
Less current portion:	
Governmental-type activities	<u>(27,995)</u>
Net long-term debt	<u><u>\$ 350,000</u></u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 5. Bonds Payable, Continued

The annual requirements to amortize bonds payable at December 31, 2005 are as follows:

Fiscal year ended <u>Dec 31,</u>	<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	-	-
2007	24,000	11,380
2008	24,000	10,580
2009	25,000	9,780
2010	26,000	8,945
2011-2015	139,000	31,325
2016-2020	81,000	8,940
2021-2025	27,000	2,850
2026-2027	4,000	150
Total	<u>\$ 350,000</u>	<u>\$ 83,950</u>

Beaver County Hospital Special Service District No. 3 is primarily liable for repayment of the bonds. Funds for said repayments will be made available through leasing the financed facilities to Milford Valley Healthcare Services and/or discretionary allocation of the issuer's tax levy revenues (See Note 6).

The bonds payable are secured by the buildings, which house a hospital, two medical clinics and a home health agency.

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 6. Lease Revenue

Debt service payments on the Series 1991 and Series 1996 Lease Revenue Bonds are financed by leasing the encumbered facilities to Milford Valley Healthcare Services, as explained in Note 5. The financing for the 1991 Lease Revenue Bonds is for a term of 26 years and continues through January 1, 2016, for the Milford hospital, home health and medical clinic space. The financing for the 1996 Lease Revenue Bonds is for a term of 30 years and continues through April 1, 2025 for the Minersville Medical Clinic. The yearly lease payments of \$29,000 received from Milford Valley Healthcare Services are due and payable on or before December 31, of each year, beginning in 1992. In 2005, Milford Valley Healthcare Services was not billed for, but did pay the annual lease payment for 2003 & 2004. The following is a schedule of future minimum lease payments to be received by the District over the length of the lease:

2006	\$ 29,000
2007	29,000
2008	29,000
2009	29,000
2010	29,000
2011-2017	<u>203,000</u>
	<u>\$ 348,000</u>

NOTE 7. Capital Leases

The District entered into a lease purchase agreement as lessee for financing the acquisition of a 2003 ambulance with a down payment of \$20,350. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset:	
2003 Ford F-350 ambulance	\$ 97,400
Less: accumulated depreciation	<u>(29,220)</u>
Total	<u>\$ 68,180</u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
Notes to Financial Statements
December 31, 2005

NOTE 7. Capital Lease, Continued

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

Year ending	
<u>Dec 31,</u>	
2006	\$ 28,602
2007	-
2008	-
Total remaining minimum lease payments	<u>28,602</u>
Less amount representing interest	(607)
Present value of net remaining minimum	
lease payments	<u><u>\$ 27,995</u></u>

BEAVER COUNTY HOSPITAL SPECIAL SERVICE DISTRICT #3
(a Component Unit of Beaver County)
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Property taxes	\$ 145,000	\$ 145,000	\$ 243,479	\$ 98,479
Investment earnings	5,000	5,000	10,329	5,329
Charges for services-hospital lease revenue	34,675	34,675	58,818	24,143
Miscellaneous income	-	-	-	-
Grant income	-	-	3,672	3,672
Total revenues	184,675	184,675	316,298	131,623
EXPENDITURES:				
Current:				
Health-hospital support costs	25,650	25,650	32,640	(6,990)
Debt service:				
Principal	42,795	42,795	47,949	(5,154)
Interest	-	-	14,724	(14,724)
Capital outlay	116,230	116,230	12,500	103,730
Total expenditures	184,675	184,675	107,813	76,862
Net change in fund balance	-	-	208,485	208,485
Fund balance at beginning of year	298,135	298,135	298,135	-
Fund balance at end of year	\$ 298,135	\$ 298,135	\$ 506,620	\$ 208,485

See accountant's report.